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SIPDIS

SENSITIVE

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SWALKER, NEA/ELA SSONTY, NEA/IPA GLOGERFO, EB/JBLOOM, SA/A  
MQUINN, NSC FOR JZARATE, TREASURY FOR DGLASER, OFAC  
DIRECTOR RWERNER, JUSTICE FOR JSILVERWOOD, STATE PLEASE  
PASS TO USAID

E.O. 12958: N/A

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SUBJECT: KUWAIT FUND DIRECTOR GENERAL DISCUSSES AID TO  
IRAQ, PALESTINIANS, AND AFGHANISTAN AND ENGINEERING  
EXCHANGE PROGRAM WITH THE UNITED STATES

REF: A. KUWAIT 1883

[1](#)B. KUWAIT 3775

[1](#)C. KUWAIT 3585

[1](#)1. (U) Action request at para 13.

[1](#)2. (SBU) Summary and Comment: In an August 24 meeting with the Ambassador, the Director General of the Kuwait Fund for Arab Economic Development (KFAED), Abdulwahab Al-Bader, made the following key points: (1) GOK has donated 25 million USD in grants to the Palestinian Authority during the 1990s and is collecting data on other funding provided to-date; (2) KFAED is ready to allocate 60 million USD in grants to Iraq for health and education but needs additional information on site locations and programs from Iraq; (3) KFAED would like to come to settlement with Afghanistan on its outstanding arrears in order to renew GOK loan assistance; (4) KFAED has launched a new educational exchange program for Kuwaiti engineering graduates to strengthen the Kuwaiti private sector work force. Al-Bader requested Ambassador's assistance in hearing from KFAED counterparts in the governments of Iraq and Afghanistan regarding KFAED assistance to both countries (see paras 5-8). Embassies Baghdad and Kabul might consider making inquiries as appropriate regarding Al-Bader's concerns. End Summary and Comment

Kuwaiti Assistance to the Palestinian Authority  
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[1](#)3. (SBU) On August 24, Ambassador met with Abdulwahab Al-Bader, the Director General of the Kuwait Fund for Arab Economic Development (KFAED), the country's leading development organization providing loans and grants to approximately 100 countries. This was the Ambassador's second meeting with Al-Bader following his appointment as KFAED Director in May 2005 (reftel A). The Ambassador asked for Al-Bader's assistance in ascertaining the total amount of GOK assistance to the Palestinian Authority (PA), noting how difficult it has been to get an authoritative assistance figure.

[1](#)4. (SBU) Al-Bader echoed the Ambassador's frustration and lamented the GOK's failure to adequately track and receive credit for the millions of USD in assistance it has provided to the PA and others. He shared with the Ambassador a spreadsheet that outlined 25 million USD in GOK grants administered by the World Bank and the Arab Fund for PA health and education projects (reftels B and C). Al-Bader added that Foreign Minister Al-Sabah, in his capacity as Chairman of the KFAED, had requested all ministries to provide to the KFAED all relevant information on GOK funding to the PA. Al-Bader said he would share the information when available. (Note: Grants through the Kuwait Fund have not been the main source of Kuwaiti support for the Palestinians; funds provided in connection with Arab League commitments are much larger. We are attempting to get a fuller picture of the mechanisms and amounts.)

Assistance for Iraq and Afghanistan  
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[1](#)5. (SBU) The Ambassador also inquired about the status of 120 million USD in promised GOK grants for Iraq (Note: On June 19 the Kuwaiti Council of Ministers doubled the original 60 million USD figure). Al-Bader explained that KFAED was ready to allocate the initial 60 million USD but that the Cabinet was still deciding on the source of the remaining 60 million USD. Al-Bader speculated that KFAED would probably be asked to fund the remainder as well.

[1](#)6. (SBU) In agreement with the Iraqis, the initial 60 million dollar grant would be divided equally between Iraq's health

and education sectors. Al-Bader explained that the 30 million USD for education would help fund approximately 31 schools. The other 30 million USD would go toward constructing rural hospitals. Al-Bader noted that he rejected Iraqi proposals to construct mobile hospitals, recommending instead that the funds be used to build 10 rural hospitals (approx. 40-90 bed units) each equipped with mobile operating facilities.

17. (SBU) Al-Bader complained that neither funding program had been implemented because his ministerial counterparts at the Iraqi health and education ministries did not answer his requests for site locations and construction requirements for the schools and hospitals. Al-Bader noted that without the requested information he could not solicit bids from contractors, explaining that contractors could not bid without specifics on location and building requirements. He confirmed that the first 60 million USD was ready for dispersal and that even some basic project information would help him get started. He commented that his Iraqi government interlocutors (minister and under-secretary level) seemed to lack decision-making authority.

18. (SBU) With regard to Afghanistan, Al-Bader noted that the KFAED was prepared to offer some new loan assistance, in the form of concessionary loans, but needed GOA assistance in addressing outstanding Afghan loan arrears dating back to the 1980s. He said that KFAED had sent a proposal to the GOA and was flexible on how best to come to terms on the arrears to allow for renewed GOK assistance, but has heard nothing substantive from the GOA. (Note: The Kuwait Fund is looking for legal cover. There is no expectation of full recovery.)

#### New Kuwaiti Engineering Exchange Program

19. (U) Al-Bader mentioned that KFAED had launched in September 2004 a new External Training Program for Kuwaiti engineering graduates to receive private sector work experience and training with international engineering firms abroad, including Europe and the United States. According to Al-Bader, the program continues to be a success with 19 students having participated at last count, with 11 already hired by international companies. Al-Bader plans to expand the program in 2005/2006 to include two groups of 30 engineering graduates each (total 60 students per year) for training and instruction abroad.

110. (U) Al-Bader explained that the main objective of the program was to develop Kuwaiti engineering talent for the private sector and expressed an interest in pursuing opportunities with firms in the U.S. The Ambassador applauded KFAED's efforts in pursuing broader bilateral exchange opportunities with the U.S. and offered the Embassy's assistance to further develop the program in the U.S.

#### Shift to Social Sector Assistance

111. (U) Al-Bader noted that KFAED was making good progress in implementing its "Five Year Plan" to shift more resources from industry to service sector programs including health and education. (According to its 2003/2004 Annual Report, KFAED has funded projects in the following sectors: transportation (33.6 percent), energy (22.6 percent), agriculture (15.5 percent), water and sewage (11.4 percent), industry (10.1 percent), communication (3.1 percent), development banks (2.5 percent), social (0.8 percent), and other (0.4 percent).) Al-Bader mentioned that KFAED had received funding requests for hospital construction in China in addition to existing KFAED projects there.

#### Renewed Contacts with USAID

112. (U) Al-Bader renewed his call for increased cooperation between KFAED and USAID and accepted the Ambassador's suggestion that he seek to meet with USAID officials during his upcoming visit to Washington for the World Bank/IMF meetings in late September. Ambassador encouraged KFAED-USAID dialogue on development initiatives and offered Post's assistance in setting up an introductory meeting for Al-Bader.

113. (SBU) Action Request: Kuwait Desk assistance is requested to contact USAID Director and Millennium Challenge Corporation for a possible meeting with Al-Bader during his visit to Washington for the World Bank/IMF conference. Al-Bader will be at the meetings only on the two weekend days and would like to meet at the WB/Fund meeting site. Contact information for Al-Bader to be supplied by e-mail.

Bio Data  
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14. (U) Abdulwahab Ahmed Al-Bader was born in 1955. He holds a BA in Economics and was appointed Director General of the Kuwait Fund on April 30, 2005 after having served as Deputy Director of the Fund from 1986. He has also served as Alternate Governor of Kuwait to the OPEC Fund of International Development (1981-1986); Governor of Kuwait to OPEC Fund (1986-Present); Member of the Board of the Arabic Bank of Economic Development in Africa (1982-1994) and has also served on the boards of Kuwait Consulting and Investment Company, International Financial Advisors Company, and Bubyah Fisheries Company. Al-Bader is married and speaks excellent English.

Background on Kuwait Fund for Arab Economic Development  
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15. (U) KFAED is the GOK's primary vehicle for providing assistance and aid to other countries. It was founded the same year that Kuwait gained its independence, 1961, and was originally intended to assist Kuwait's Arab neighbors. In 1974 its mandate was expanded to include all developing countries. To date, KFAED has committed over 11.5 billion USD in low interest loans to 100 countries through 650 separate projects, has provided over 323 million USD in grants and technical assistance, and has contributed 1.15 billion USD to other development institutions.  
LEBARON